

**NPDES
Inspection Report**

Hilcorp Alaska, LLC

**Swanson River Field
(AKR05DB69)**

Cook Inlet, Alaska

**Prepared by:
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Environmental Protection Agency, Region 10
Office of Compliance and Enforcement**

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- A. Photograph Documentation
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(Unless otherwise noted, all details in this inspection report were obtained from conversations with Linda Ward or from observations during the inspection.)

I. Facility Information

Facility Name: Swanson River Field

Facility Contact(s): -Linda Ward, Environmental Coordinator
3800 Centerpoint Drive, Suite 100
Anchorage, AK 99503
907-777-8417
-Dale Ashe, Lead Operator at Swanson River Field
-John Barnes, Sr. Vice President Exploration and Production
3800 Centerpoint Drive, Suite 100
Anchorage, AK 99503
907-777-8300

Facility Type: Crude Petroleum & Natural Gas (SIC 1311)

Facility Address: Mile 18.5 Swanson River Road
Sterling, AK 99672

Mailing Address: Hilcorp Alaska, LLC
Attn: John Barnes, Sr. Vice President Exploration and Production
PO Box 244027
Anchorage, AK 99524

II. Owner and Operator Information

Hilcorp Alaska, LLC (Hilcorp) is the owner and operator.

III. Permit Information

Swanson River Field is permitted to discharge under the 2008 National Pollutant Discharge Elimination System (NPDES) Multi-Sector General Permit for Stormwater Discharges Associated with Industrial Activity (Permit). The Alaska Department of Environmental Conservation (ADEC) assumed administration and implementation authority of an EPA-approved state NPDES program in October 2009. In November 2009, ADEC designated the Permit as No. AKR050000.

By letter dated November 18, 2011, ADEC notified Hilcorp of ADEC's receipt of a Notice of Intent for the Permit and that coverage under the Permit would be effective on December 18, 2011. ADEC's letter indicated that Hilcorp's Permit coverage is No. AKR05DB69.

IV. Inspection Information

Inspector(s): Sandra Brozusky, Inspector
EPA Region 10, OCE/IEMU

Rick Cool, Compliance Officer
EPA Region 10, OCE/NCU

Inspection Duration: September 4, 2012
8:30 AM – 3:15 PM

Purpose: This inspection was conducted to document the operator's compliance with the discharge activities under the Permit and Hilcorp's coverage no. AKR05DB69.

V. Background Information

On or about December 30, 2011, Hilcorp Alaska, LLC purchased and assumed operation of oil and gas extraction facilities previously owned by Union Oil Company of California, a wholly owned subsidiary of Chevron North America Exploration and Production Company (a Chevron USA Inc. division). Hilcorp Alaska, LLC is now the owner and operator of Swanson River Field (SRF).

Swanson River Field is an oil and gas production field located on the Kenai Peninsula, covering approximately 7,872 acres. SRF's gravel roads, pads, and other cleared areas cover about 330 acres. According to the February 2010 Stormwater Pollution Prevention Plan (SWPPP), the Swanson River runs through the southern half of SRF and there are several small lakes scattered throughout the field. According to Dale Ashe, SRF has approximately 69 gas wells and maintains two disposal wells. Since Hilcorp assumed ownership of SRF, Mr. Ashe indicated that there have not been any new wells or pad construction on site.

As of the September inspection date, Hilcorp had adopted and was implementing Chevron's February 2010 SWPPP and was in the process of updating, upgrading and rebranding the SWPPP in light of the change of SRF ownership and operational control.

VI. Scope of Inspection

Upon arrival to SRF, we were given a health and safety briefing and were introduced to facility specific personnel. This was followed by an opening conference, file review and a facility tour. We held a closing conference at the end of the facility tour to discuss observations made during the inspection. This inspection was specific to the NPDES Permit held by SRF and was selected for inspection as part of an EPA national initiative in oil and gas extraction facilities.

VII. Inspection Entry

This was an announced NPDES inspection. Rick Cool contacted Linda Ward on about July 20, 2012 to notify Hilcorp of EPA's NPDES compliance inspections of several Hilcorp facilities including SRF and to coordinate travel to each facility. EPA was

accompanied on this inspection by Kara Kusche, Alaska Department of Environmental Conservation, Environmental Program Specialist.

Ms. Brozusky (EPA), Mr. Cool (EPA) and Ms. Kusche (ADEC) met Ms. Ward in Kenai, AK at 7:00 AM on September 4, 2012 for introductions and to follow Ms. Ward to SRF. Upon arrival at SRF, we presented our credentials and explained that the purpose was to conduct a compliance inspection based on the facility's NPDES permit.

Ms. Ward and Mr. Ashe were present throughout this inspection. We were not denied access to any facility location and were able to inspect all areas.

VIII. Inspection Findings

Upon arriving at SRF, we began the inspection with an opening conference where Ms. Ward and Mr. Ashe discussed current operations. During this time we also asked the facility representatives a few administrative questions and discussed SRF's SWPPP. A copy of the facility's SWPPP was provided by ADEC to the EPA members of the inspection team for review prior to the inspection. The SWPPP discussion was followed by a field tour of several areas.

Mr. Ashe discussed operations at the time of inspection which included three workovers occurring at 32-A9, 21-27 and 14-22 wells. Mr. Ashe indicated that there was a potential for 6-8 additional workovers for the remainder of the year. In addition, Mr. Ashe indicated a potential for 10 new grassroot wells at SRF were planned but since Hilcorp has assumed ownership there have not been any new wells or pad construction. Mr. Ashe also indicated the potential addition of a drilling man camp that could accommodate approximately 40 or more persons.

In general, SRF maintains gravel roads, an auto shop, mechanic shop, oil loading docks, a compression plant, a chemical storage area, large storage tanks, sections of aboveground pipeline and a solid waste facility. Mr. Ashe indicated that the solid waste facility was installed approximately 3 years prior to the inspection. Hazardous waste generated at SRF is disposed of through a contracted company, Emerald Services. Mr. Ashe stated that SRF has a grind and inject facility, however it is not in operation.

The EPA inspection team inquired about the status of a 2010 remediation effort, mentioned in SRF's SWPPP, at the P&S Yard. This effort included discharging treated groundwater (for xylene contamination) to a nearby leach field. According to Ms. Ward this remediation project is under the responsibility and control of Chevron. She speculated that this remediation project would be completed in 2013.

The Permit, under section 4.1, requires the facility to conduct routine facility inspections on a quarterly basis. Ms. Ward and Mr. Ashe stated that these inspections are primarily conducted by Mr. Ashe and the two area foremen, however once per year a water compliance employee from Hilcorp Corporate will join facility staff during the inspection. The quarterly inspection takes on average two days to complete in which Mr. Ashe or area foremen use a form adopted from Chevron. Ms. Ward stated that this form is in the process of being updated.

As a result of section 4.2 of the Permit, SRF has six visual assessment locations identified as A – F. These assessments are conducted on a quarterly basis by Mr. Ashe or by two area foremen. See attachment C for a copy of the visual assessment report used by SRF. Also see several figures included in SRF's SWPPP (attachment D of this report) for locations of these visual assessments.

In accordance with procedures identified in SRF's SWPPP, Ms. Ward indicated that all spills, even one drop, are recorded by operators in a spill log and on a map for identification purposes. Those logs are then sent to Ms. Ward for her determination of which spills, if any, are reportable to EPA or other agencies.

SRF's SWPPP was reviewed as part of this inspection. Ms. Ward indicated at the time of inspection that the SWPPP was in the process of being updated, upgraded and rebranded, as Hilcorp adopted the February 2010 SWPPP developed by Chevron. See attachment D for a copy of the SWPPP reviewed as part of this inspection. The EPA inspection team visually verified the modifications Ms. Ward was in the process of conducting, which included updating employee titles and positions, the SWPPP team and general ownership information. See the areas of concern section for more details regarding the SWPPP.

The field tour portion of the inspection included the visual assessment locations (identified as A-F), four gas wells (241-16, 242-16, 34-15 and 212-15), two of the three workover drill rigs (located at wells 23B-22 and 21-27), one disposal well (32-33) and the oil truck loading area at TS 1-4. See attachment A for photographs from the field tour.

At the end of the inspection, we provided a brief closing conference. See details in the closing conference section of this report.

IX. Areas of Concern

We inspected Swanson River Field including associated records and NPDES discharge locations. Observations during the inspection included the identification of areas of concern. These areas of concern are described as follows:

A) Quarterly Routine Facility Inspections

Section 4.1.1 of the Permit requires the permittee to, "Conduct routine facility inspections of all areas of the facility where industrial materials or activities are exposed to stormwater, and of all stormwater control measures used to comply with the effluent limits contained in this permit. Routine facility inspections must be conducted at least quarterly (i.e. once each calendar quarter)" The Permit continues to state in section 4.1.2 that, "You must document the findings of each routine facility inspection performed and maintain this documentation onsite with your SWPPP..."

At the time of inspection, the EPA inspection team requested to review quarterly routine facility inspection documentation. During this review, the EPA inspection team noted that the documentation for the second quarter of 2012 was not included in the SWPPP and could not be produced. A Hilcorp representative acknowledged that this quarterly inspection had not been conducted.

The quarterly routine facility inspection documentation appeared thorough with the

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exception of one area identified. Workovers were being conducted at three well sites during the inspection, but these areas were not specifically identified on the inspection documentation. The documentation generally referred to “construction activity/drilling activity” or “entire field” but did not indicate which activities or specific locations were visited as part of the inspection. The general references do not specify that all workover sites were inspected or identify the inspected locations with sufficient specificity in order to provide follow-up information for future inspections. The EPA inspection team recommended that the inspection documentation have more specificity regarding the inspected locations.

B) Stormwater Pollution Prevention Plan (SWPPP)

SRF’s SWPPP was reviewed prior to and during the inspection. The following areas were identified and communicated to SRF representatives:

1. Section 5.4 of the Permit states that, “You are required to keep the following inspection, monitoring, and certification records with your SWPPP that together keep your records complete and up-to-date, and demonstrate your full compliance with the conditions of this permit: A copy of the NOI submitted to EPA along with any correspondence exchanged between you and EPA specific to coverage under this permit...”

The SWPPP available at the time of inspection did not contain a NOI specific to Hilcorp’s ownership/control of SRF or of Hilcorp’s coverage application under the Permit. The NOI present in the SWPPP reflected Chevron’s ownership of SRF.

2. Section 5.4 of the Permit states that, “You are required to keep the following inspection, monitoring, and certification records with your SWPPP that together keep your records complete and up-to-date, and demonstrate your full compliance with the conditions of this permit: ... A copy of the acknowledgement letter you receive from the NOI Processing Center or eNOI system assigning your permit tracking number...”

The SWPPP available at the time of inspection did not contain an acknowledgement letter from Alaska Department of Environmental Conservation reflecting receipt of Hilcorp’s NOI and ADEC’s issuance of Permit coverage.

3. Section 5.4 of the Permit states that, “You are required to keep the following inspection, monitoring, and certification records with your SWPPP that together keep your records complete and up-to-date, and demonstrate your full compliance with the conditions of this permit: ... Records of employee training, including date training received.”

Section 4.2.9 of SRF’s SWPPP states that stormwater pollution prevention training will be provided to employees and contractors responsible for implementing activities necessary to meet the Permit requirements. At the time of inspection, we inquired to see training documentation specific to the annual training mentioned in the SWPPP. The training documentation provided by SRF representatives demonstrates several individual days of

training, however the documentation shows only one individual present during each training. See attachment B for a copy of this training documentation.

4. As a recommendation to SRF representatives, the EPA inspection team suggested Hilcorp evaluate the SWPPP in light of its control and experiences to date to determine what additional revisions are appropriate, specifically discussed the outfall/visual assessment locations. During the course of the inspection, SRF representatives indicated that it was unclear why Chevron selected the discharge/visual assessment locations (A-F), however Hilcorp adopted and continued to use those same locations.

As a recommendation to SRF representatives, the EPA inspection team suggested Hilcorp add more detail to any Appendix H, Training Documentation on what subjects or areas of the SWPPP were covered in the specific training courses.

X. Closing Conference

Following the completion of the facility tour, we held a closing conference to provide inspection observations and discuss the aforementioned areas of concern. We thanked the facility representatives for their time and cooperation with the inspection. Ms. Ward stated during the closing conference that she would inquire with the drill operators to see if they had additional information regarding the workovers to supplement the quarterly routine facility inspection checklist.

Report Completion Date:

1/22/2013

Inspector Signature:

Sandra Brozusky

Inspector Signature:

Rick Cool 1/22/13
Rick Cool